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A SURVEY OF 210 INDEPENDENT FOOD RETAILERS
(OPERATING 355 MARKETS): THEIR UTILIZATION OF
E.C.R.'S, E.F.T. AND THEIR PLANS FOR SCANNING

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Retailer Electronic Checkout
and
Electronic Funds Transfer Survey*

Electronics have already had a major impact on some supermarkets. At the checkout, Electronic Cash Registers (ECRs) and scanning have provided food retailers with the means to improve labor productivity and increase customer service. Beyond the impact on checkstand throughput, electronic technology has provided managers with better information on planning and control. In a related area, electronics have helped in the verification of checks and provided the means for delivering other financial services through the store, e.g. Electronic Funds Transfer (EFT).

Few supermarkets have begun to exploit all aspects of this new technology, but most managements are actively evaluating how and when their companies should move to derive benefits from all of these options.

Purpose

The purpose of this survey was to provide independent retailers in Ohio and surrounding states with a current reading on the current acceptance and use of electronic checkouts and EFT. This type of information provides a framework within which a retailer can compare his own activities with those of similar firms in the region.

Approach

Information in this survey was collected through mail questionnaires which were sent to a broad cross-section of independent retailers in both

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Ohio and surrounding states. Some of these questionnaires were mailed directly to the retailers and the remainder were forwarded to retailers with the assistance of several wholesalers who serve independent food stores in the area.

The survey was sent to retailers during the last half of January, 1978. By the cut-off date of February 15, responses were received from 210 companies. These companies operated a total of 355 stores.

While it is impossible to determine precisely what percentage of retailers responded to the survey, it does appear that this sample is large enough to provide an accurate indication of retailer activity.

Table 1

Current Checkout Equipment
(184 Companies)

Mechanical registers only	39%
Some stores with ECRs	59
Some stores with scanning	<u>2</u>
Total	100%

Checkout Equipment

The majority of the companies surveyed had electronic checkouts in at least some of their stores. Fifty-nine percent of the companies report having installed ECRs and two percent indicated that they were scanning. The remaining companies used mechanical cash registers in all of their stores.

ECR Utilization -- While the majority of the companies surveyed have experience with ECRs, it appears that many do not use several of the unique capabilities of this type of equipment.

Table 2

Uses of ECR
(99 Companies)

	<u>% Companies Using</u>
Electronic Scales	2%
Check Verification	21
Item Price Lookup	36

The fact that only 2 percent of the companies used electronic scales probably reflects an emphasis on prepackage produce in the region rather than under utilization of this feature of the equipment. To the extent that retailers move toward greater emphasis on bulk produce, it should be remembered that electronic scales have been shown to be more accurate than mechanical scales. Several companies have reported a significant increase in produce department gross profit as a result of changing from use of mechanical to electronic scales at the frontend.

More than one-fifth of the companies reported using ECRs for check verification. This application requires some effort to maintain an up-to-date negative file* in the system; however, it also can both improve customer service and reduce demands on courtesy booth personnel.

More than one-third of the companies reported using the item price lookup capability. This feature permits a retailer to affix a code number rather than a price to individual items and then have the checker key the code number. When this occurs, the ECR automatically associates a price with the code number, displays the price, and prints the price on the customer receipt tape. This feature permits a retailer to reduce the

*A negative file lists those customer accounts in which a known problem exists. This is in contrast with a positive file which actually monitors activity in each account.

marking cost associated with a number of high volume of products; e.g. milk, eggs, advertised features. It should be emphasized, however, that full use of this capability is dependent on both properly selecting the items to be put on price lookup and carefully controlling the prices that are stored in the ECRs.

There are a number of features found on many ECRs that were not examined in this survey. These include monitoring checker activity for purposes of both training and security, measuring sales and inventory shrink, and control of coupons and bottle deposits. All of these features represent ways in which the ECRs can be used to achieve more precise measurement and control over activities within the store.

Table 3

Planning to Scan in Next Two Years

	<u>Current Equipment</u>	
	<u>Mechanical</u>	<u>ECR</u>
Number of Responses	(70)	(112)
Yes	10%	21%
No	<u>90</u>	<u>79</u>
Total	100%	100%

Plans for Scanning -- The majority of those surveyed indicated that they did not plan to move to scanning within the next two years. There was greater interest in scanning among those who currently operated ECRs than among those that used only mechanical registers (21% vs. 10%).

Those who plan to move to scanning stressed the benefits of improved productivity, accuracy and customer service.

Table 4

Factors Which Could Change Thinking on Scanning

	<u>Current Equipment</u>	
	<u>Mechanical</u>	<u>ECR</u>
Number of Responses	(51)	(89)
Lower Cost of Equipment	44%	42%
Increased Sales Volume	16	13
Proven ROI	14	10
Legislative Outlook	4	10
Consumer Acceptance	4	9
Competitive Activity	--	9
Nothing	<u>18</u>	<u>7</u>
Total	100%	100%

Looking only at those retailers who did not plan to move to scanning in the immediate future, it was interesting to note that there was a similar pattern in the responses of both those retailers with ECRs and those that currently operated with mechanical equipment. The dominant factor which might alter decisions in both groups was a reduction in the cost of the equipment. Retailers from both categories felt that the total cost of moving to scanning (including scanners and back room labeling equipment) was still too high for them to justify, but that a significant cost reduction could change their minds. The second and third factors involved the economics of paying for the equipment. Here retailers mentioned both the improved justification that would result from an increase in sales volumes and the persuasiveness of seeing the successful ROI results from other retailers. The remaining factors, i.e., a clearer picture of the

legislative outlook regarding item pricing, more positive consumer acceptance and the actions of competitors were mentioned less frequently but appeared to be important particularly in the minds of the retailers who already have ECRs.

Check Handling Costs

Over the last several years, there has been a growing interest in the retailer's cost for handling checks. This interest has been prompted by both the need to improve cost controls in all parts of the business and by the activities of banks which are offering check verification and guarantee services.

Table 5

Estimated Check Handling Costs
(179 Responses)

4¢ or Less	22%
5¢ to 8¢	19
9¢ to 12¢	21
13¢ to 16¢	10
17¢ to 20¢	8
Over 20¢	<u>20</u>
Total	100%

Retailers were asked to estimate their complete cost for handling a check including labor, bank fees, bad check losses and other related costs.

These cost estimates were very similar to those published last year

by Payment Systems Inc. for large chains.* Interestingly, the numbers were considerably higher than those that PSI reported for independent operators. FMI has also published an estimated cost for a supermarket to handle a check, i.e., nearly 26 cents per check.

In considering these cost estimates, it is important to keep in mind that this total cost will not disappear even if no checks were accepted. The reason is that part of the cost of check handling is associated with the tendering portion of the checkout transaction. If checks were not used, some time would still be required to handle and account for the cash that was used in place of the check.

Table 6

Financial Service
(210 Responses)

Bank Check Authorization Service	5%
Courtesy Booth Banking	6
In-store ATM	1
In-store Bank or S & L	3
Bank Credit Cards for Groceries	11
Store Check Cashing Card	47
None	<u>27</u>
Total	100%

*Supermarket Views on EFT, Payment Systems Incorporated, Atlanta, Georgia, 1977, page 14.

Electronic Funds Transfer and Other Financial Services

Electronic Funds Transfer (EFT) has been offered by only a fraction of the surveyed companies. If EFT is broadly defined as bank-sponsored check authorization services, courtesy booth banking and in-store automated teller machines (ATM), then this family of financial services was offered by only 12 percent of the companies.

In-store branch banks or savings and loan offices were reported by only 3 percent of the companies.

In terms of other financial services, 11 percent of the companies reported that they accepted bank credit cards for the purchase of groceries. Nearly half of the companies used their own store check cashing card.